



education

Department:
Education

PROVINCE OF KWAZULU-NATAL

FRAUD PREVENTION PLAN

FRAUD PREVENTION PLAN

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GLOSSARY OF TERMS

Throughout this document, unless otherwise stated, the words in the first column below have the meanings stated in the opposite column (and cognate expressions shall bear corresponding meanings):

Code	
Committee	Audit and Risk Management Committee
Corruption	General offence of corruption in terms of Section 3 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004
KZN DOE	KwaZulu-Natal Department of Education
Fraud	As defined in Snyman CR, <u>Criminal Law</u> , 5th ed, 531
IAU	Internal Audit Unit
Plan	Fraud Prevention Plan
PFMA	Public Finance Management Act, No.1 of 1999 as amended
Protected Disclosures Act	Protected Disclosures Act, Act 26 of 2000 as amended by Act 5 of 2017
Province	KwaZulu-Natal
KZN	KwaZulu-Natal
SAPS	South African Police Services
Theft	As defined in Snyman CR, <u>Criminal Law</u> , 5th ed, 483
DPSA	Department of Public Service and Administration
FICA	Financial Intelligence Centre Act 38 of 2001
Fraud Policy	Fraud Policy and Response Plan
HOD	Head of Department as defined in Section 36 of the PFMA
MEC	Member of the Executive Council
PSC	Public Service Commission
PSIMF	Public Service Integrity Management Framework
NPA	National Prosecuting Authority Act 32 of 1998
AGSA	The Auditor-General of South Africa
The Constitution	The Constitution of the Republic of South Africa Act 108 of 1996

SECTION I: Fraud Prevention Plan

1. INTRODUCTION

- 1.1. This Fraud Prevention Plan (FPP) documents the strategic and operational approach to managing the risk of fraud and corruption within the KwaZulu-Natal Department of Education (KZN DOE). The FPP provides an overview of how fraud and corruption risks will be managed.
- 1.2. In terms of Section 38 (1)(a)(i) of the PFMA, the HOD is required to ensure that the KZN DOE has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.
- 1.3. The KZN DOE has a commitment to high legal, ethical and moral standards. All members of staff are expected to share this commitment. Management tries to ensure that a risk and fraud awareness culture exists in this organisation. Fraud is an ever-present threat and hence must be a concern to all members of staff. The department views fraud as an extremely serious matter and is committed to the promotion of an Anti-Fraud Culture throughout the organisation.
- 1.4. Furthermore, the KZN DOE is committed to ensuring robust governance and the ethical conduct of all employees and its stakeholders that conduct business with it by preventing, detecting and investigating all forms of fraud and corruption that may occur.
- 1.5. The Province of KwaZulu-Natal has adopted a policy of zero tolerance towards corruption. In this regard, the province has adopted the ethos of "I Do Right – Even When Nobody is Watching" as a proactive initiative or campaign to enhance professional and ethical behaviour among public servants in their dealings with civil society, including business, labour and the media.
- 1.6. Accordingly, this document represents the Fraud Prevention Plan for the KZN DOE. The Plan recognises basic fraud prevention initiatives within the KZN DOE and takes into account the risks of fraud and corruption as identified in risks assessments performed within the KZN DOE. The Plan addresses strategic fraud and corruption risks that must be addressed, as these risks could jeopardise the successful implementation of each component of the Plan.

2. FRAUD POLICY STATEMENT

- 2.1. The KZN DOE has a zero-tolerance attitude to fraud and will do everything financially prudent to ensure that fraud, corruption or misconduct, cannot affect its assets and financial well-being.
- 2.2. In keeping with the zero-tolerance approach, acts of fraud, corruption and misconduct will not be tolerated at any level.
- 2.3. All fraud will be investigated and followed up by the application of all remedies available within the full extent of the law as well as the application of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls, and checking mechanisms as prescribed in the systems, policies, procedures, rules and regulations of government.

3. REGULATORY FRAMEWORK

3.1. The FPP is guided by different legislative framework which include authorising legislation, regulations, policy framework and best-practice models as outlined below:

- Constitution of the Republic of South Africa Act 108 of 1996;
- Public Finance Management Act 1 of 1999;
- Treasury Regulations Issued in terms of the PFMA;
- Protected Disclosure Act 26 of 2000;
- Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA);
- Public Service Act 103 of 1994, as amended 2007;
- Public Service Regulations, 2016;
- DPSA Minimum Anti-Corruption Capacity Requirements;
- DPSA Public Service Integrity Management Framework;
- Promotion of Administrative Justice Act 3 of 2000;
- Promotion of Access to Information Act 2 of 2000;
- Prevention of Organised Crime Act 121 of 1998;
- National Prosecuting Authority Act 32 of 1998;
- Financial Intelligence Centre Act 38 of 2001;
- Criminal Procedure Act 51 of 1977;
- Protection of Personal Information Act 4 of 2013;
- Public Administration Act 11 of 2014;
- The PSCBC Resolution No.1 of 2003 and the Disciplinary Code and Procedures for the Public Service;
- Chapter 7 of the Senior Management Service (“SMS”) Handbook
- Departmental policies;
- Cabinet Resolution No. 166 of 2000, relating to the investigation of Government fraud;
- The KwaZulu-Natal Fraud Prevention Strategy, An Interim Guide, published on 25 March 2001; and
- Code of Conduct and Ethics.

4. OBJECTIVE OF THE PLAN

The Plan is intended to set down the stance of the Department towards fraud and corruption as well as to reinforce existing systems, policies, procedures, rules and regulations of the Department aimed at preventing, deterring, detecting, reacting to, and reducing the impact of fraud and corruption, where such dishonest activities exist

The objectives of the Plan are to create a culture within the Department which promotes public service and discourages unethical conduct, fraud and corruption by:

- Creating a culture within the Department which is intolerant to unethical conduct, fraud and corruption
- Preventing and detecting unethical conduct, fraud and corruption
- Investigating detected unethical conduct, fraud and corruption

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- Taking appropriate action in the event of such irregularities e.g. disciplinary action, recovery of losses and prosecution
- Applying sanctions, which includes redress in respect of financial losses
- Defining and improving accountability, efficiency and effectiveness administration within the Department
- Encouraging all employees and stakeholders to strive towards the prevention and detection of fraud impacting of having the potential to impact on the Department
- Encouraging all officials, stakeholders and the community to report suspicious fraudulent activities without fear of reprisals or recriminations.

5. SCOPE OF THE PLAN

5.1. All stakeholders with whom the Department interacts, are expected to abide by the principles contained in the Plan. The Plan applies to:

- Public servants (Employees of the Department)
- Suppliers, contractors and providers of goods and services
- Users of services/customers
- Stakeholders, labour and social societies
- Business entities and civil society in general
- Media, organised religion
- All other persons with links to the Department.

5.2. The plan relates to all attempts and incidents of fraud and/or corruption, impacting or having the potential to impact on Department

5.3. The Plan is organic and is constantly being reviewed to determine its effectiveness, long-term sustainability and to align it to leading best practice. It will continuously evolve as the Department makes changes and improvements in its internal control measures and continuing in its drive to promote ethics and prevent fraud and corruption.

6. DEVELOPMENT OF THE PLAN

6.1. In developing the Plan, several fraud risks which were identified as part of a detailed fraud risk analysis undertaken by the Department were taken into account.

6.2. However, the risks of fraud addressed in this document should not be relied upon as a definitive list of risks facing the Department, but rather as an indication of the type of risks, bearing in mind the transformation of the risk of fraud resulting from constant technological advancements and changing business processes.

6.3. The following policies are attached to the Plan as they form an integral part thereof:

- The Code of Conduct (Appendix A)
- Disciplinary Policy (Appendix B)
- Conflict of Interest Policy (Appendix C)
- Gifts and Hospitality Policy (Appendix D)
- Whistle-Blower Policy (Appendix E)
- Remunerative Work Outside the Public Service Policy (Appendix F)
- Policy on Conducting Business with the State (Appendix G)

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- Matrix of Tasks and Responsibilities. (Appendix H)

6.4. The Plan does not guarantee that the Department may not be impacted by incidents of fraud and corruption but is rather intended to serve as an additional measure to assist in the limitation of fraud and corruption risk with a particular focus on creating awareness and promoting ethical business conduct.

7. COMPONENTS OF THE PLAN

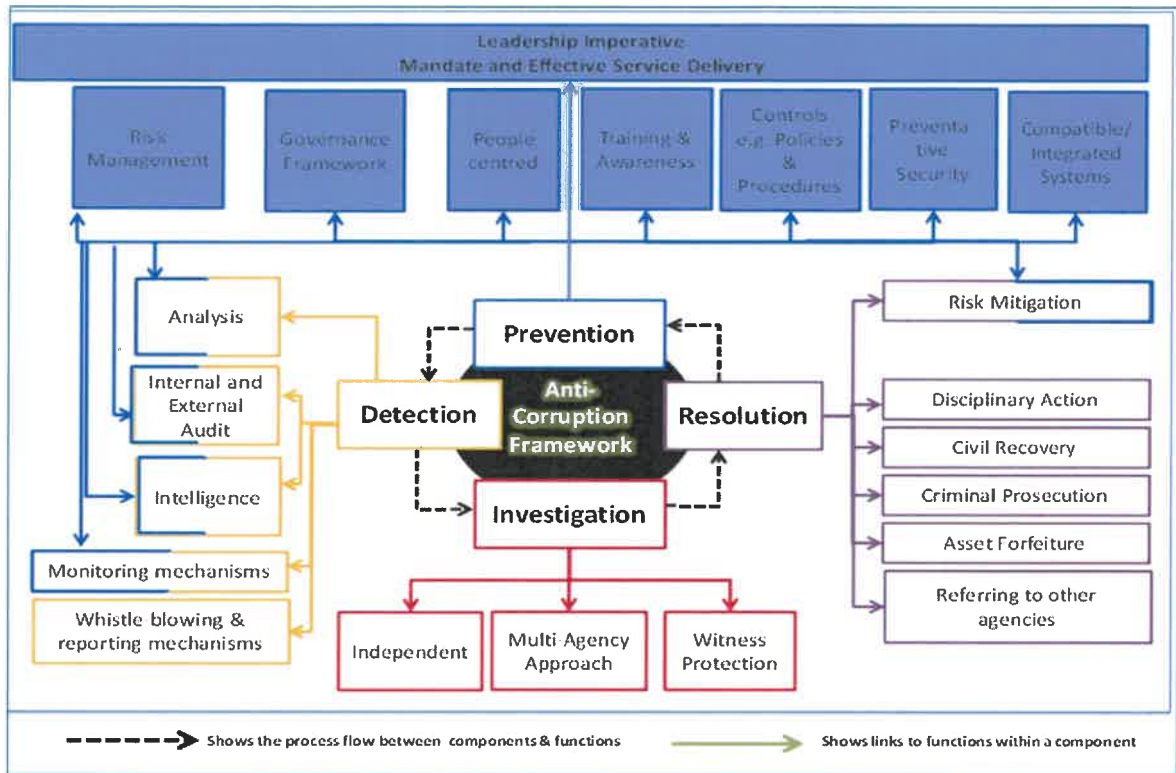
The Plan is formulated based on the approach to mitigating fraud, theft and corruption. The key measures for preventing, detecting and responding to fraud and corruption are detailed below.

Fraud Prevention Plan	
<p>Prevention</p> <p>Preventing the occurrence of fraud, i.e. creating a culture within the Department which is intolerant to unethical conduct, fraud and corruption.</p>	<ul style="list-style-type: none"> ▪ Code of Conduct for Public Servant (Employees) ▪ Disciplinary Code and Procedures ▪ Fraud and Ethics Awareness Campaigns ▪ Ethics infrastructure ▪ Fraud Risk Assessments ▪ Recruitment process – Employee Screening ▪ Obligatory leave periods ▪ Probation ▪ Exit procedures and Return of Assets ▪ Remuneration work outside the public service ▪ Prohibition of corrupt individuals from the public service ▪ Naming and shaming of corrupt public servants ▪ Vendor due diligence ▪ Review of Supply Chain Management - Conduct of SCM officials in all government institutions ▪ Proper delegation and segregation of roles within the SCM environment ▪ Blacklisting of corrupt suppliers ▪ Conflict of interest disclosures and financial disclosures ▪ Gifts and Hospitality Policy ▪ Internal Control ▪ Physical and Information Security
<p>Detection</p> <p>Detecting existing instances of fraud, i.e. strengthening community participation in the fight against corruption in the Department.</p>	<ul style="list-style-type: none"> ▪ Vigilance by Officials ▪ Internal Audit Function ▪ Forensic data analysis ▪ Whistle-blower Facility
<p>Response and Resolution</p> <p>Responding to the negative consequences of fraud, i.e. investigating detected unethical conduct, fraud and corruption and taking appropriate actions in the event such irregularities.</p>	<ul style="list-style-type: none"> ▪ Fraud Policy and Response Plan ▪ Co-operation with other Anti-Corruption Agencies ▪ Disciplinary Enquiry ▪ Criminal Prosecution ▪ Civil recovery.

An effective fraud prevention plan integrates the four components of prevention, detection, response and resolution. The graphical depiction below illustrates better practice while also

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taking cognisance of the perpetual cycle of prevention, detection and response and investigating fraud and corruption.





FRAUD PREVENTION POLICY

SECTION II: Fraud Prevention Policy

As at 2017, Fraud was estimated to cost South Africa at least R27 billion annually and 76 000 jobs that could have otherwise been created. Effectively, this is a diversion of resources from those in dire need of them.

1. INTRODUCTION

- 1.1. The KwaZulu-Natal Department of Education (“KZN DOE”) is committed to the fight against fraud and corruption and will uphold the Batho Pele principles in its dealing with the public, organisations and third parties doing business with it. The will seek to prevent, detect, respond and discourage any form of fraud and corruption.
- 1.2. The Member of the Executive Committee (“MEC”) of the KZN DOE, the Executive and Senior Management and all staff of the KZN DOE are expected to uphold the highest standards of conduct and work ethic. The MEC and Accounting Officer of the KZN DOE must ensure adherence to all codes of ethics and standards. The KZN DOE expects that all individuals, organisations and third parties associated and doing business with it will act with integrity and without intent to commit fraud and corruption.
- 1.3. Fraud undermines the ability of the government to deliver on its constitutional mandate. Consequently, the public and investor confidence is lost or lowered.
- 1.4. With one of the best constitutions’ in the world, South Africa is equipped with a sound legislative framework which protects the rights of its citizens, creates a safe and fair environment in which to leave and encourages good corporate governance.
- 1.5. The National Government introduced the “Batho Pele” initiative which aimed at transforming the Public Service at all levels. The Batho Pele is anchored on 11 principles namely:
 - Consultation;
 - Service standards;
 - Access;
 - Courtesy;
 - Information;
 - Openness and transparency;
 - Redress;
 - Value for money;
 - Encouraging Innovation and Rewarding Excellence;
 - Customer Impact: and
 - Leadership and Strategic Direction.
- 1.6. The scourge of fraud is an indictment against the principles of Batho Pele mentioned above.

2. PURPOSE OF POLICY

- 2.1. This policy is intended to set down the stance of KZN DOE to “*fraud*”, as referred to in paragraph 2.2 below, as well as to reinforce existing systems, policies, procedures, rules and regulations aimed at deterring, preventing, detecting, reacting to and reducing the

impact of fraud. The Fraud Response Plan that complements this Policy details how the KZN DOE will respond to the allegations of fraud.

- 2.2. Furthermore, the purpose and spirit of this document is to confirm that KZN DOE supports and fosters a culture of **zero-tolerance** to fraud in all its manifestations.
- 2.3. KZN DOE recognises the fact that acts of fraud by its employees seriously depletes the scarce resources available to KZN DOE in fulfilling its mandate.
- 2.4. KZN DOE also recognises that the debilitating effects of fraud extend beyond the loss of cash and other assets which has severe negative repercussions on the ability of KZN DOE to achieve its objectives.
- 2.5. Although difficult to quantify, such acts, if left unchecked, could have a serious and adverse impact on:
 - The quality and effectiveness of service delivery;
 - The strength of business relationships with clients, suppliers and the public;
 - Employee morale; and
 - Reputation and image of KZN DOE.

3. DEFINITION OF FRAUD

- 3.1. In South Africa there are many definitions of fraud. In many instances, especially in the public eye, Fraud is extended to include corruption.
- 3.2. In this policy we define fraud in line with one of the well-known and authoritative definitions by a South African Criminal Law Jurist, CR Snyman who defined fraud as *“the unlawful and intentional making of a misrepresentation which causes actual prejudice or which is potentially prejudicial to another”*.
- 3.3. Actions constituting fraud refer to, but are not limited to:
 - (a) Any dishonest, fraudulent or corrupt act;
 - (b) Theft of funds, supplies or other assets;
 - (c) Maladministration or financial misconduct in handling or reporting of money, financial transactions or other assets;
 - (d) Making a profit from insiderknowledge;
 - (e) Disclosing confidential or proprietary information to outside parties for financial or other advantage;
 - (f) Requesting or accepting anything of material value (free of charge) from contractors, suppliers or other persons providing goods or services to KZN DOE;
 - (g) Irregular destruction, removal or abuse of records and equipment;
 - (h) Deliberately omitting or refusing to report or act upon reports of any such irregular or dishonest conduct;
 - (i) Bribery, blackmail, secret commissions and or extortion involving a KZN DOE employee in the performance of her or his duties;
 - (j) Abuse of KZN DOE facilities; and

(k) Any similar or related irregularity.

4. SCOPE OF THE POLICY

4.1. All stakeholders with whom the Department interacts, are expected to abide by the principles contained in the Policy. The Policy applies to:

- Public servants
- Suppliers, contractors and providers of goods and services
- Users of services/customers
- Stakeholders, labour and social societies
- Media, Religious Organisations
- All other persons with links to the Department

5. APPLICATION OF PREVENTION CONTROLS AND DETECTION MECHANISMS

5.1. In respect of all reported incidents of fraud, managers are required to immediately review, and where possible, improve the effectiveness of the controls which have been breached in order to prevent similar irregularities from taking place in future.

6. REPORTING PROCEDURES AND RESOLUTION OF REPORTED INCIDENTS

What should employees do if they suspect fraud?

6.1. It is the responsibility of all employees to immediately report all allegations or incidents of fraud to their immediate manager or, if the employee has reason to believe that his/her immediate manager is involved, to the next level of management. All managers must report all incidents and allegations of fraud to the Head of Department.

6.2. The Head of Department will then communicate the allegation to the Internal Control and Risk Management Unit within the Department and/or the IAU as a shared service based in Provincial Treasury initiate an investigation into the matter.

What should a member of the public do if they suspect fraud impacting KZN DOE?

6.3. Should a member of the public wish to report allegations of fraud anonymously, they can contact any member of management, or the Fraud Hotline on the toll-free number **0800 701 701**.

6.4. KZN DOE encourages members of the public who suspect fraud impacting it to contact the Head of Department or the Internal Control and Risk Management Unit within the Department or IAU based at Provincial Treasury or the Fraud Hotline on the toll-free number using the contact details provided in paragraph 6.3 above.

How will allegations of fraud be dealt with by KZN DOE/Response?

6.5. For issues raised by employees or members of the public, the action taken by the Department will depend on the nature of the concern. The matters raised may:

- Be referred to the Internal Control and Risk Management Unit within the Department;
- Be referred to Internal Audit Unit, based within Provincial Treasury;
- Be referred to the SAPS, or any other law enforcement agency.

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- 6.6. All supervisors and management within KZN DOE have the advisory and supporting assistance from units which include the following:
- Internal Control and Risk Management Unit within the Department;
 - Internal Audit Unit within Provincial Treasury;
 - Human Resources Management;
 - Legal Services
 - Labour Relations
 - The Office of the Auditor-General; and
 - The Public Protector.
- 6.7. The Internal Control and Risk Management Unit provides a mechanism for a more integrated strategic intelligence effort to:
- Support policy-making and the co-ordination of fraud control policy;
 - Conduct investigations via its Investigation division; and
 - Co-ordinate processes among law enforcement agencies involved in combating fraud within the Province, including KZN DOE.
- 6.8. All supervisors and management within KZN DOE have the advisory and supporting assistance from units which include the following:
- 6.9. Any fraud committed by an employee of KZN DOE will be pursued by thorough investigation and to the full extent of the law, including consideration of the following:
- Taking disciplinary action within a reasonable period of time after the incident;
 - Instituting recovery of financial losses, including formal civil action;
 - Initiating criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency; and
 - Any other appropriate and legal remedy available.
- 6.10. The Head of Department and respective managers are also required to ensure that losses or damages suffered by KZN DOE as a result of all reported acts of fraud committed or omitted by an employee or any other person, are recovered from such an employee or other person if he or she is found to be liable.
- 6.11. The Head of Department or his delegated representative will, upon receiving a report of fraud from an external person, write to the person (unless the report has been made anonymously) making the report:
- Acknowledging that the concern has been received; and
 - Informing her or him whether any further investigations will take place, and if not, why not.
- 6.12. KZN DOE accepts that those people, including employees who reported the alleged fraud need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, information about outcomes of any investigation will be disseminated on a "need to know" basis.
- 6.13. The Committee will regularly review the matters reported and actions taken.

7. ROLES AND RESPONSIBILITIES

7.1. Management of the department are responsible for establishing and maintaining a sound system of internal controls that support the achievement of departmental policies, aims and objectives. The system of internal controls is designed to respond to and manage the whole range of risks that the department faces. Managing fraud risk will be seen in the context of the management of this wider range of risks.

7.2. Overall responsibility for managing the risk of fraud has been delegated to Line Managers and Internal Auditor. Their responsibilities include:

- developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organizational objectives in order to keep the profile current;
- designing an effective control environment to prevent fraud from happening;
- establishing appropriate mechanisms for:
 - reporting fraud risk issues,
 - reporting significant incidents of fraud to the CFO and Human Resources.
- making sure that all staff are aware of the department's attitude to fraud and know what their responsibilities are in relation to combating fraud;
- developing skill and experience competency frameworks;
- ensuring that appropriate anti-fraud training and development opportunities are available to appropriate staff in order to meet the defined competency;
- ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
- taking appropriate disciplinary action against supervisors where supervisory failures have contributed to the commission of fraud;
- taking appropriate action to safeguard the recovery of assets;
- ensuring that appropriate action is taken to minimize the risk of similar frauds occurring in future.

7.3. Line Managers are responsible for:

- ensuring that an adequate system of internal controls exists within their areas of responsibility and that controls operate effectively;
- preventing and detecting fraud;
- assessing the types of risk involved in the operations for which they are responsible;
- regularly reviewing and testing the control systems for which they are responsible;
- ensuring that controls are being complied with and their systems continue to operate effectively;
- implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

7.4. Internal Auditor is responsible for:

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- delivering an opinion to the CFO and Audit Committee on the adequacy of arrangements for managing the risk of fraud and ensuring that the department promotes an anti-fraud culture;
- assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls commensurate with the extent of the potential exposure/risk in the various segments of Company's operations;
- assisting management in conducting fraud investigations

7.5. Every member of staff is responsible for:

- acting with propriety in the use of departmental resources and the handling and use of departmental funds whether they are involved with cash or payments systems, receipts or dealing with suppliers or customers.
- being conscious to the possibility that unusual events or transactions could be indicators of fraud;
- reporting details immediately through the appropriate channel, if they suspect that a fraud has been committed or see any suspicious acts or events;
- co-operating fully with whoever is conducting internal checks, reviews or fraud investigations.

8. CONFIDENTIALITY

8.1. All information relating to fraud that is received and investigated will be treated confidentially. The progression of investigations will be handled in a confidential manner and will not be disclosed or discussed with any person(s) other than those who have a legitimate right to such information. This is important to avoid harming the reputations of suspected persons who are subsequently found innocent of wrongful conduct.

8.2. No person is authorised to supply any information with regard to allegations or incidents of fraud to the media or public without the express permission of the Head of Department.

9. PROSECUTION

9.1. Where evidence is available, following an investigation into the allegations received, appropriate action will be taken against the implicated persons within the confines of the law.

9.2. Appropriate actions may include but are not limited to:

- a) Disciplinary actions as prescribed in terms of the KZN DOE internal policies;
- b) Referral to the South African Police Services where evidence suggests that a criminal offence may have been committed;
- c) Civil recovery where evidence available suggest that the KZN DOE suffered losses due to the conduct of the implicated persons and they are liable in law.

9.3. It is the policy of the KZN DOE that where prima facie evidence indicates that a criminal offence may have been committed, the case may be immediately referred



FRAUD PREVENTION STRATEGY

SECTION III: Fraud Prevention Strategy

1. CREATING AN ETHICAL CULTURE

1.1 Background

1.1.1. To reduce the motivation for and rationalisation of fraud and corruption, the Department is committed to creating an ethical culture and to providing guidance to public servants with regards to ethical conduct. Ethical conduct is about distinguishing between what is morally right and wrong with the purpose of doing what is right.

1.1.2. Public servants are expected to fulfil their obligations and conduct themselves to the highest ethical standards, which refer to the moral values and qualities of integrity and honesty. The failure to uphold these standards often gives rise to allegations of corruption and maladministration.

1.1.3. Section 195 (1) of the Constitution reads as follows:

“Basic values and principles governing public administration.

Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:

- a) A high standard of professional ethics must be promoted and maintained.*
- b) Efficient, economic and effective use of resources must be promoted.*
- c) Public administration must be development-oriented.*
- d) Services must be provided impartially, fairly, equitably and without bias.*
- e) People’s needs must be responded to, and the public must be encouraged to participate in policy-making.*
- f) Public administration must be accountable.*
- g) Transparency must be fostered by providing the public with timely, accessible and accurate information.*
- h) Good human-resource management and career-development practices, to maximise human potential, must be cultivated.*
- i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.”*

1.2 The Ethical Foundations for Leadership Responsibilities

1.2.1. The Department’s leadership should provide effective leadership based on an ethical foundation. Ethical leaders should:

- Undertake their operations with the highest integrity
- Take account of the Department’s impact on internal and external stakeholders
- Ensure that all deliberations, decisions and actions are based on the values underpinning good governance: Responsibility, Accountability, Fairness and Transparency.

1.2.2. Ethical executive leadership should ensure that the Department is, and is seen to be, a responsible Provincial Department. They should:

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- Consider not only financial performance, but also the impact of the Department's operations on the community and the environment – through more comprehensive integrated reporting
- Protect, enhance and invest in the well-being of communities, the economy and the environment
- Ensure that the Department's performance and interaction with its stakeholders is guided by the Constitution, the Bill of Rights and Batho Pele principles
- Ensure that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good citizenship
- Ensure that measurable citizenship programmes are implemented
- Ensure that management develops citizenship policies
- Ensure that the Department encourages the participation of communities in its financial management policies.

1.3 Principles for Ethical Conduct for Senior Management

1.3.1 A strong ethical culture means that public servants know what is expected of them and need not stand paralysed or confused when faced with ethical dilemmas, fostering a more satisfying and productive working environment.

1.3.2 These principles assist senior managers to improve the overall performance of official duties and responsibilities and help to maintain public confidence in the institutions:

- Senior managers should conduct themselves in a manner that will bear the closest public scrutiny, and so that their integrity serves as an example to other public officials;
- Senior managers should abide closely to the ethics and legal framework of their institution, and encourage others to do the same;
- Senior managers should encourage the scrutiny of their own conflict of interest situations, within the applicable framework;
- Senior managers should demonstrate leadership commitment;
- Senior managers should be prepared to enforce unpopular penalties and sanctions against members;
- Senior managers must be prepared to exercise judgment when dealing with disclosure of private interests. In particular, they should consider the larger issue of institutional credibility and public trust.
- When determining the most appropriate solution to resolve or manage the actual conflict situation, senior managers should weigh the interests of the Department, the public interest, and the legitimate interests of employees, and the nature of the conflict. When in doubt, senior managers should resolve conflicts in favour of the public interest.

1.4 Approach to Managing Ethics for Senior Management

1.4.1 The Department can adopt a number of strategies to assist and support senior managers as they enforce ethics regulations:

- Clarify roles and responsibilities to avoid conflict: there is a need for clear definition of roles and responsibilities and delegations, and regular reporting. A lack of clarity can lead to disputes and conflicts, and to maladministration. Reducing them to writing is essential.
- Introduce incentives for enforcing punitive measures against offenders.
- Create and sustain a culture of open communication and dialogue concerning integrity and its promotion.
- Ensure that the policy remains effective and relevant in dealing with current and anticipated conflicts in a continuously evolving environment and change or redevelop the policy as necessary.

2. ATTRIBUTES OF FRAUD/FRAUD RISKS

2.1 Defining Fraud

In this policy we define fraud in line with one of the well-known and authoritative definitions by a South African Criminal Law Jurist, CR Snyman who defined fraud “the unlawful and intentional making of a misrepresentation which causes actual prejudice, or which is potentially prejudicial to another¹”.

2.2 Different Types of Fraud

The following, although not exhaustive, reflects actions that may be considered to be fraudulent in view of the fraud risk assessment:

Systems Issues: SCM, HR, Project Management

Where a process/system exists, which is prone to abuse by either employees or the public, e.g.:

- Maladministration or financial misconduct in handling or reporting of money, financial transactions, or other assets;
- Collusion in awarding contracts or orders for goods and/or services;
- Acceptance of bribes and gifts in exchange for illegal disclosure of procurement information.
- Award of tenders to employees or relatives of employees in the service of the state.
- Payment for work not delivered or substandard quality work.
- Intentional abuse of section 32 and 36, intentional or late submission of requisitions resulting in the bypassing of controls through emergency requests.
- Intentional splitting of orders to circumvent competitive bidding processes.
- Disclosing confidential or proprietary information to outside parties.
- Undue influence of the appointment process to favour certain applicants, and disregard of others. Fabrication of qualifications, release of interview questions before the actual interviews

¹ Snyman CR, Criminal Law, 5th Ed, 531

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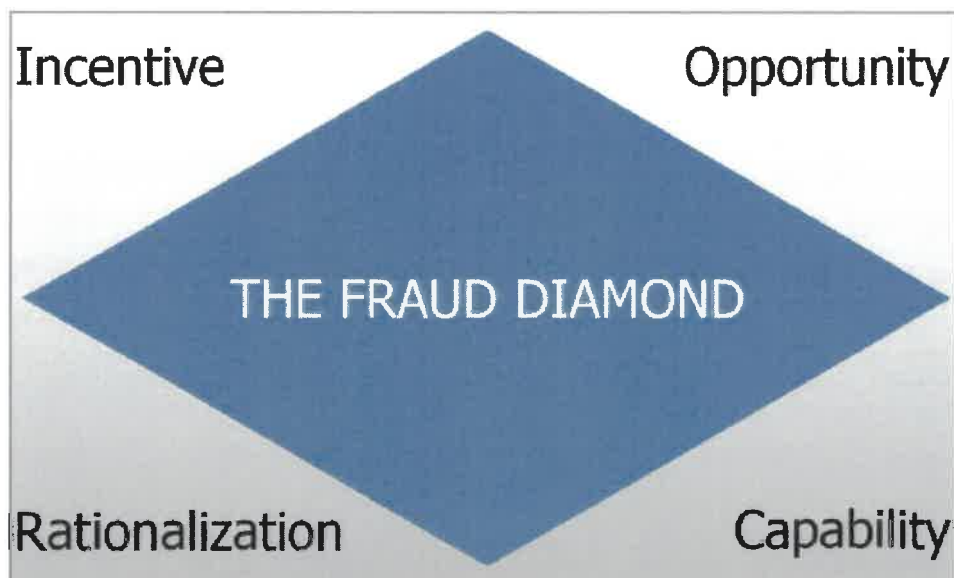
<p>Financial Issues: Payment, Payroll, Revenue Management, Financial Reporting</p>	<p>Where individuals or companies have fraudulently obtained money, e.g.:</p> <ul style="list-style-type: none"> • Suppliers submitting invalid invoices or invoicing for work not properly completed; • Intentional payment of incorrect suppliers or deliberate overpayment of invoices; • Excessive claims of kilometres travelled. • Payment of salaries to staff that do not come to work/not productive. • Intentional payment of salaries and any other salary related amounts to fictitious/ghost employees • Intentional misrepresentation of figures in the financial statements to misrepresent the user of the financial statements • Theft of petty cash; and • Abuse of overtime
<p>Equipment and Resource Issues:</p>	<p>Where equipment is utilised for personal benefit, e.g.:</p> <ul style="list-style-type: none"> • Abuse of telephones, internet and e-mail; and • Abuse of assets, including equipment, vehicles and time.
<p>ICT/ CYBER</p>	<p>Cyber crime or also known as computer crime can be defined as any criminal activity that involves a computer/ electronic device and internet, e.g.</p> <ul style="list-style-type: none"> • Hacking; • Malware • Intentional unauthorised access to systems with the intention to defraud;
<p>Other Issues:</p>	<p>Activities undertaken by employees which may be unlawful against KZN DOE's regulations or policies, e.g.:</p> <ul style="list-style-type: none"> • Receiving undue gifts or favours for carrying out functions, e.g. gifts in contravention of the relevant policy; and • Deliberately omitting or refusing to report or act upon reports of any irregular or dishonest conduct.

2.3 Understanding Fraud

2.3.1 In order to understand and to be able to detect fraudulent activities, employees should be aware of the behavioural aspects of individuals and organisations. The behavioural aspect of individuals assists in profiling a typical fraudster while that of the organisations typifies the risks that make the organisation susceptible to fraud. In order for fraud and corruption to occur, three factors are relevant. In this regard "the Fraud Triangle" represents the three fraud and corruption triggers commonly found in fraud events, namely, "**opportunity, motivation and rationalisation**" as depicted figure below.



The fraud diamond model adds the fourth variable of Capability to three factors shown above. This factor speaks to the belief that the fraud perpetrator must have the necessary traits, abilities, or position of authority to commit the act of fraud.



2.4 Fraud Exposures

In performing the fraud risk assessments, the Department has identified, inter alia, the following fraud risk areas:

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- A lack of structured awareness and training programs for employees in applicable policies, procedures, rules and regulations
- Non-compliance with policies and procedures by employees as a result of weaknesses in the system for adequately implementing, monitoring and evaluating compliance with policies and procedures
- Resistance by employees to accept objectives and requirements detailed in strategic plans and policies and procedures, since they have not been part of the development of the strategic plans and policies and procedures
- Theft, abuse or unauthorised use of assets by public servants e.g. Abuse or unauthorised use of vehicles and theft of fuel by public servants
- Conflict of Interest by public servants and service providers where financial business interests have not been declared
- Unauthorised changes/amendments made to the vendor master file by public servants in order to divert payments for personal gain
- Misrepresentation of experience and fabrication of qualifications by candidates during the recruiting process
- Time management:
 - Abuse of working hours by public servants performing personal work or being absent during working hours
 - Abuse of overtime by public servants claiming overtime that has not been worked or inflating the amount of overtime worked
 - Abuse of leave (absenteeism) by officials through not processing leave days taken
- Abuse of Subsistence & Travel claims by claiming for expenses that are not work-related or claiming fictitious claims
- Unauthorised or uncontrolled physical access to the premises
- Ghost employees created on payroll in order to divert salaries and benefits to existing employees or third parties
- Lack of document management resulting in unauthorised access to documents, theft and destruction of documents or leaking of confidential information
- The intentional destruction of or unauthorised access (hacking) into the IT infrastructure
- The acceptance of bribes by public servants
- Theft of cash or the short-banking of cash by employees when receiving payment from consumers
- Corporate identity theft – identity used by external parties for fraudulent purposes
- The lack of management information necessary for timeous risk identification and decision-making
- Favouritism in the award of tenders/contracts
- Fraudulent activities on financial accounting systems.

2.5 Fraud Red Flags

The following, though not exhaustive, reflect the behavioural aspects of individuals and organisations born by these triggers, and which are typically “*red flags*” or “*fraud indicators*” that all employees within KZN DOE should be aware of in their daily functions:

2.5.1 Individuals

Indicators that individuals may be susceptible to committing fraud

- Unusually high personal debts;
- Severe personal financial losses;
- Living beyond one’s means;
- Extensive involvement in speculative investments;
- Excessive gambling habits;
- Alcohol and drug abuse;
- Unexplained wealth;
- Sudden change of lifestyle;
- Domestic problems;
- Involvement in extra-marital relationships;
- Undue family or peer pressure to succeed;
- Staff under stress without heavy workload;
- Always working late;
- Reluctance to take leave;
- Refusal to accept promotion;
- Feeling of being underpaid;
- Dissatisfaction or frustration with job;
- Feeling of insufficient recognition for job performance;
- Lack of a clearly defined career path;
- Continual threats to quit;
- Belief that the job is in jeopardy;
- Close associations with suppliers/ contractors;
- Suppliers/ contractors who insist on dealing with only one particular member of staff;
- Close associations with customers;
- Poor credit rating;
- Rationalisation or justification of poor performance;
- Wheeler-dealer attitude;
- Lack of personal stability such as frequent job changes, residence, partners and acquaintances;
- High staff turnover, with new staff resigning quickly;
- Desire to “beat the system”;

- Unreliable communications and reports;
- Criminal record;
- Defendant in a civil suit;
- Rationalisation for conflicting behavioural patterns;
- No signs of code of personal ethics; and
- Undisclosed conflicts of interest.

2.5.2 Departments

Indicators that the organisation or department may be a target for a fraudster

- Lack of competent personnel;
- Does not enforce clear lines of authority and responsibility;
- Does not enforce proper procedures for authorisation of transactions;
- Lack of adequate documents and records;
- KZN DOE that is not frequently reviewed by internal auditors or has an ineffective internal audit function;
- Lack of independent checks;
- No separation of custody over assets from the accounting function;
- No separation of authorisation of transactions from the custody of the related assets;
- Lack of segregation of incompatible duties;
- Inadequate personnel policies and human resource management systems;
- Failure to maintain records of disciplinary actions;
- Inadequate disclosure of income from external sources;
- Undisclosed conflicts of interest;
- Operating on a crisis/emergency basis;
- Operating without budgetary control;
- Budgets not reviewed or meaninglessly justified;
- Too much trust placed in key employees;
- Unrealistic productivity requirements;
- Pay levels not commensurate with responsibilities;
- Inadequate staff - quality and quantity;
- Failure to discipline violators of departmental policies;
- Inadequate communication and awareness about disciplinary codes, fraud policies and codes of conduct;
- Absence of conflict-of-interest questionnaires or regular updating thereof; and
- Inadequate background and reference checks before hiring decisions are made.

In addition to the behavioural aspects of individuals and organisations which typifies circumstances that could result in fraudulent activity, there are other factors which may not necessarily be categorised as behavioural aspects, but which could nevertheless result in fraudulent activity. These indicators of opportunities to commit fraud, although not exhaustive, may be summarised as follows:

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- Rapid turnover of key employees, through resignation or dismissal;
- Dishonest or dominant management;
- Inadequate communication and training programmes;
- Complex business structures;
- No effective internal control function or lack of a risk based approach;
- Reluctance to provide auditors/ consultants with requested information;
- Continuous problems with regulatory agencies; and
- Unexplained and unusual accounting transactions.

All employees within the KZN DOE are required to be aware of the indicators listed above and to be vigilant to acts of fraud.

Should an employee have any knowledge or suspicion of fraudulent activity, the employee is obliged to report such fraudulent activity directly to his manager or in a case of a manager, the Head of Department must be informed or alternatively internal audit or to the toll free National Anti-Corruption Hot Line **(0800 701 701)**.

3. FRAUD PREVENTION STRATEGY

3.1 Essentially Conditions of Effective Fraud Control

The fight to combat fraud and corruption in the public sector has become so intense in the wake of the reported scandals of corruption. The figure below depicts the indispensable governance strategies to effectively manage the risk of fraud and corruption.



3.2 The main principles of the Strategy

3.2.1 The following reflects the main principles which form the basis of the Strategy:

- Developing and maintaining a culture which is intolerant to fraud;

- Deterrence of fraud;
- Preventing fraud which cannot be deterred;
- Detection of fraud;
- Investigating detected fraud;
- Taking appropriate action against fraudsters, e.g. disciplinary action, prosecution, etc;
- Applying sanctions, which include redress in respect of financial losses; and
- Pledge in respect for the civil rights of all citizens, including the employees of the KZN DOE.

3.3 Main objectives of the Strategy

3.3.1 The objectives of the Strategy as set out below are in line with and complement a principle-oriented ethos and strategic direction as articulated in the PFMA.

3.3.2 The objectives of the strategy can be summarised as follows:

- Improving accountability, efficiency and effective administration within the KZN DOE;
- Continuously supporting a culture within KZN DOE where all employees and other stakeholders continuously behave ethically in their dealings with, or on behalf of KZN DOE;
- Improving the implementation and application of systems, policies, procedures and regulations;
- Improving relevant aspects of the KZN DOE to facilitate the reporting and monitoring of incidents of fraud;
- Creating a culture within the Department which is intolerant to unethical conduct, fraud and corruption;
- Preventing and detecting unethical conduct, fraud and corruption;
- Investigating detected unethical conduct, fraud and corruption; and
- Encouraging all employees and other stakeholders to strive for the deterrence, prevention and detection of fraud impacting or having the potential to impact on the KZN DOE.

3.4 Components of The Strategy

3.4.1 The above objectives are not intended to detract from the premise that all the components are equally essential for the successful realisation of the Strategy. The Strategy is structured to address the prevention, detection and response and resolution (investigation of fraudulent activities).

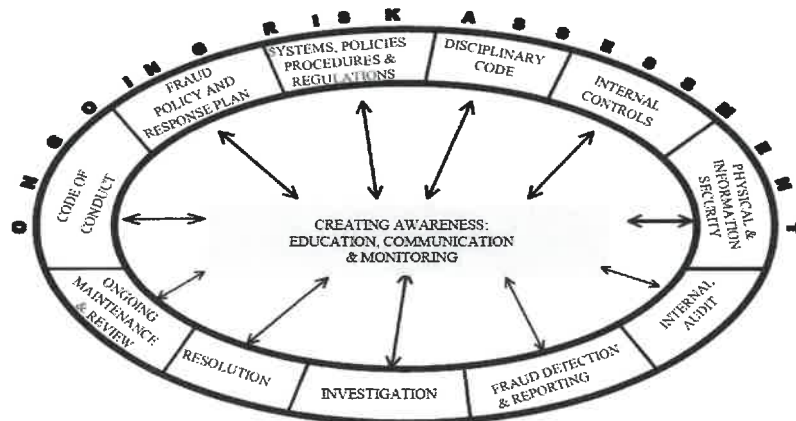
3.4.2 The following form the basis and represents the components of the Strategy:

- (a) A Code of Conduct of the KZN DOE in which management believes and requires their employees to subscribe;
- (b) The KZN DOE's systems, policies, procedures, rules and regulations;
- (c) The Disciplinary Code and Procedures;

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- (d) Internal controls to prevent and detect fraud;
- (e) Physical and information security management;
- (f) Internal Audit Unit;
- (g) Ongoing risk assessment, which includes fraud susceptibility assessments and detection approaches;
- (h) Reporting and monitoring of allegations;
- (i) Fraud Policy and Response Plan which includes the policy stance of the KZN DOE to fraud and steps for the reporting and resolution of allegations and incidents of fraud;
- (j) A Whistle Blowing Policy in order to strive to create a culture which will facilitate the disclosure of information by employees relating to criminal and other irregular conduct in the work place in a responsible manner and to limit the risk of non-compliance with the provisions of the Protected Disclosures Act;
- (k) Creation of awareness amongst employees and other stakeholders through communication and education relating to specific components of the Plan; and
- (l) Ongoing maintenance and review of the Plan which includes the allocation of the responsibility for this plan to the Risk Management and Audit Committee of the KZN DOE to steer and take responsibility for the Plan, and to ensure effective implementation and maintenance.

An illustration of the main components of the Strategy



A PREVENTING FRAUD

3.5 Code of Conduct and Business Ethics

- 3.5.1 A Code of Conduct (“Code”) was developed based on the Public Service Regulations of 2001, to set down clear guidelines relating to KZN DOE’s expectations of the highest ethical standards of business conduct and integrity by its employees and other stakeholders. The amended Public Service Regulations of 2016 set the bar higher in respect of ethical conduct (refer to new Regulations 13).

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- 3.5.2 The Code is applicable to all employees and management of the KZN DOE, and it is encouraged that the code be part of the induction package for employees and management to ensure familiarity and respect.
- 3.5.3 The KZN DOE expects all people of the community and service providers that are in any way associated with it to be honest and fair in their dealings with it and its clients. All employees are expected to lead by example in these matters.
- 3.5.4 The generic risks identified in this area are the following:
- Lack of buy-in into or compliance with the requirements of the Code by management and employees;
 - Employees with low integrity and/ or standards of professional duties who are constantly seeking to enhance their personal benefit;
 - Lack of awareness and or inadequate communication and training strategy relating to the Code;
 - Inadequate control over identifying and monitoring remunerative work undertaken by employees, outside their official duties, without approval; and
 - Lack of control over the acceptance, as a result of their official position, of gifts and or benefits by employees.
- 3.5.5 Compliance by employees with the Code, both in its spirit and content, would address the risks listed in paragraph 2.4 above. However, appreciating the fact that striving to achieve such a status immediately would be idealistic, the KZN DOE will pursue the following tactics to improve professional ethics and conduct of its employees:
- a) A copy of the Code will be circulated to all employees and will be included in induction packs for new employees;
 - b) All employees will be required to sign a declaration annually, serving as an indication of their understanding of commitment to and compliance with the Code; and
 - c) Relevant aspects of the Code will be included in awareness presentations, training sessions and communication programmes to create awareness thereof amongst employees and other stakeholders. Further objectives of this training will be the following:
 - Assisting employees to understand the meaning of fraudulent and corrupt behaviour;
 - Presenting case studies which will assist in developing behaviour to articulate and encourage attitudes and values which support ethical behaviour;
 - Assisting employees to understand issues involved in making ethical judgements; and
 - Communicating the implications of unethical behaviour and its impact for individuals, the workplace, professional relationships, to the KZN DOE as a whole and external stakeholders including the public.

3.6 The KZN DOE's systems, policies, procedures, rules and regulations.

3.6.1 The KZN DOE has a number of systems, policies, procedures, rules and regulations designed to ensure compliance with prevailing legislation and to limit risk, including the risks of fraud. Fundamentally, all employees of the KZN DOE should understand and must comply with these.

3.6.2 Several operational measures have been designed to control all business activities. In this regard the KZN DOE acknowledges that there are a variety of fraud risks inherently associated with operational procedures and these may include the following:

- Lack of knowledge and understanding amongst employees of prevailing policies and procedures;
- A lack of structured awareness and training programs for employees in applicable policies, procedures, rules and regulations;
- Deliberate non-adherence with policies and procedures by employees as a result of weaknesses in the system for adequately implementing, monitoring and evaluating compliance with policies and procedures; Resistance by employees to accept objectives and requirements detailed in strategic plans, policies and procedures, since they have not been part of the development of the strategic plans and policies and procedures;
- Lack of proper delegations, in writing, as required by the PFMA;
- Non-compliance with policies and procedures;
- Collusion in procurement processes and or non-compliance with the procurement policies and procedures;
- A lack of effective systems for the management of assets and or inventory;
- Non-adherence to Human Resources Management Policies and Procedures with regard to job evaluation, recruitment and selection (pre-employment screening of potential candidates), appointment and employee benefits; and
- The lack of management information necessary for timeous risk identification and decision-making.

3.6.3 The risks as indicated in paragraph 2.4 above suggest that the KZN DOE needs to invest in training/workshopping and awareness of policies and procedures to all employees and managers to ensure strict implementation and application.

3.6.4 The KZN DOE recognises that its employees are often best placed to identify "loopholes" or weaknesses in systems and procedures. The KZN DOE is therefore committed to harnessing this knowledge through the development of a structured program aimed at encouraging employee commitment and effort in reporting such weaknesses.

3.6.5 In addition, the KZN DOE will undertake the following actions to mitigate the risks identified in paragraph 2.4 above:

- (a) A clearly defined **communication and training strategy** will be developed to create awareness of existing and new policies and procedures across the board in order to ensure that all employees are made aware of, and adequately trained

in the implementation of policies and procedures relevant to their employment, duties and responsibilities. This system will include the following:

- Provisions for all employees to acknowledge, in writing, that they have read the policies and procedures applicable to their duties;
 - have undergone relevant training and/or are aware of these policies and procedures; and
 - keeping of adequate records serving as proof that employees have been made aware of the policies and procedures applicable to the KZN DOE and relevant to their duties.
- (b) Internal audits and ad-hoc procedures will be undertaken to monitor and evaluate the extent of compliance with policies and procedures. In instances where serious breaches occur, swift and efficient disciplinary action will be considered to set an example to other potential wrongdoers.
- (c) New policies and procedures and strategic plans will be workshopped to staff at appropriate levels, in draft format, for the input and comments before these are approved by the Accounting Officer and the Minister.
- (d) The system for pre-employment screening of candidates for employment will be strictly applied and if necessary, enhanced to ensure that the best candidates are employed.
- (e) The existing departmental policies and procedures will be distribution to all employees for them to be informed of all the applicable policies and procedures. An employee identified as not complying with the necessary policies and procedures will be subjected to immediate disciplinary action.
- (f) Any employees found to be colluding with suppliers will be subjected to immediate disciplinary action with a minimum sanction of dismissal and any losses suffered by the KZN DOE will be recouped from the employee, subject to relevant processes and procedures.

3.7 Disciplinary Code and Procedures

3.7.1 The Disciplinary Code and Procedures prescribes appropriate steps to be taken to resolve disciplinary matters. The strategic risks of fraud which have been identified with regard to discipline and its application thereof are the following:

- Incorrect application of the disciplinary code and procedures;
- The disciplinary process, in some instances, takes too long;
- Inadequate training of investigating officers presenting the case;
- Lack of consultation between investigating officers and the investigating team, concerning findings and charges;
- Inadequate maintenance and security of source documents to be used at disciplinary, criminal and civil proceedings; and
- Inconsistent application of disciplinary action.

3.7.2 The KZN DOE recognises the fact that the consistent and efficient application of disciplinary measures is an integral component in making the Plan a success.

3.7.3 To this end the KZN DOE will continue to pursue the following steps to ensure the consistent, efficient and speedy application of disciplinary measures:

- (a) Ensuring, by communication, training and awareness exercises that, all managers are aware of the content of the Disciplinary Code and Procedures, their responsibility for maintaining discipline, the standards of discipline expected, the procedure for the application of disciplinary measures and the disciplinary process;
- (b) Ongoing training of managers and investigating officers with regard to the content of the Disciplinary Code and Procedures, the application of disciplinary measures and the disciplinary process, and sustaining this training in conjunction with the Internal Control and Risk Management Unit and Human Resources Management;
- (c) Developing a system to facilitate the consistent application of disciplinary measures, e.g. a monitoring system that includes proper record keeping of all disciplinary actions taken; and
- (d) Developing a system where managers are held accountable for the management and addressing of misconduct and fraud within their sections.

3.8 Internal Controls

3.8.1 This section of the Plan relates to basic internal controls to prevent and detect fraud. The systems, policies, procedures, rules and regulations of the KZN DOE prescribe various controls, which if effectively implemented, would limit fraud. These controls may be categorised as follows, it being recognised that the categories contain overlapping elements:

(a) Prevention controls:

These are divided into two sub-categories, namely Authorisation and Physical;

a) Authorisation

- (i) All transactions require authorisation or approval by a responsible person with appropriate authority limits.
- (ii) The authority limits are specified in the delegations of authority.

b) Physical

- (i) These controls are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to personnel, who have been duly authorised, in writing.

(b) Detection controls:

These are divided into four categories, namely Arithmetic and Accounting,

Physical, Supervision and Management Information;

- b) Arithmetic and accounting
 - (i) These are basic controls within the recording function that check that transactions to be recorded and processed have been authorised and that they are completely and correctly recorded and accurately processed.
 - (ii) Such controls include checking the arithmetical accuracy of the records, the maintenance and checking of totals, reconciliation and accounting for documents.
- c) Physical
 - (i) These controls relate to the security of records. They therefore underpin arithmetic and accounting controls.
 - (ii) Their similarity to preventive controls lies in the fact that these controls are also designed to limit access to unauthorised persons.
- d) Supervision
 - (i) This control relates to supervision by managers of day-to-day transactions and the recording thereof.
- d) Management information
 - (i) This relates to the review of management accounts and budgetary control.
 - (ii) These controls are normally exercised by management outside the day-to-day routine of the system.

(c) Segregation of duties

- a) The lack of segregation of incompatible duties or the overriding of existing internal controls is a generic risk that exposes the KZN DOE to the inherent risk of fraud and manipulation of data. One of the primary means of control is the separation of those responsibilities or duties, which, if combined, enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit fraud.
- b) Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.
- c) Functions that should be separated include those of authorisation, execution, custody and recording and, in the case of computer-based accounting systems, systems development and daily operations.
- d) Placed in context with fraud, segregation of incompatible duties lies in separating either the authorisation or the custodial function from the checking function.
- e) To ensure that these internal controls are effectively and consistently applied, deficiencies and non-compliance identified by internal or external audit will be

addressed as follows:

- The KZN DOE will continue to regularly re-emphasise to all managers that consistent compliance by employees with internal controls is in itself one of the fundamental controls in place to prevent fraud. Managers will be encouraged to recognise that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.
 - The KZN DOE will ensure that the performance management system (KPIs) of HODs include the number of audit queries raised and cleared. This is intended to raise the level of accountability for internal control effectiveness by the HODs.
 - A matrix of internal control weaknesses identified during audits and investigations will be developed in order to assist in the identification of areas that require additional focus.
- f) Where managers do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm disciplinary action will be considered.

3.8.2 All employees within the KZN DOE are encouraged to be aware of and to identify any internal control weaknesses within the working environment and to communicate such weaknesses to their manager or in the case of manager to the Head of Department or alternatively to Internal Control and Risk Management or Internal Audit.

3.9 Physical and information security

(a) Physical security

- (i) Recognising that effective physical security is one of the "front line" defences against fraud, the KZN DOE will take regular steps to ensure effective physical security and access control at its offices in order to limit the risk of theft of assets.
- (ii) The KZN DOE will, through the internal audit unit, conduct regular reviews of the physical security arrangements at its offices to identify any weaknesses for improvement.

B DETECTION, RESPONSE AND RESOLUTION OF FRAUD

3.10 Internal audit

3.10.1 The primary function of the IAU is to assist the KZN DOE in improving the efficiency and effectiveness of operations, risk management, control and governance processes. This is further intended to promote good corporate governance (including promoting ethical conduct and the prevention, detection and reporting of fraud) within the KZN DOE.

3.10.2 Also, the IAU continuously considers ways of communicating and promoting a better understanding by managers, of the role and responsibilities of the IAU, including the role

and functions of Risk Management, which are as follows:

- Detection and investigation of fraud and corruption and recoveries;
- Conducting fraud and corruption risk assessments and susceptibility assessments of high fraud and corruption risk areas; and
- Promoting integrity of employees within the KZN DOE and

3.10.3 The key risks of fraud identified in this area are the following:

- Resistance by employees to co-operate with the IAU when conducting Internal audits;
- Lack of procedures to dissuade employees from becoming victims of bribery and corruption and inadequate controls to identify instances and the affected employee/s when this does happen.

3.10.4 As indicated previously, the KZN DOE will continue to regularly re-emphasise to all HODs that consistent compliance by employees with internal controls is in itself one of the fundamental controls in place to prevent fraud. HODs will be encouraged to recognise that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.

3.10.5 The need to comply with the Code and to act with honesty and integrity will be regularly emphasised and communicated to all employees.

3.11 Ongoing Fraud Risk Assessment

3.11.1 The KZN DOE acknowledges the fact that it faces diverse business risks from both internal and external environments. To this end, the KZN DOE has an arrangement with the PIAS for assistance with risk assessments including fraud risk assessments and these are conducted in line with the Risk Management Framework for Public Service and Risk Management policy of the KZN DOE. This is intended to ensure that fraud prevention controls and detection mechanisms are developed, implemented and monitored. The fraud risks are recorded in the fraud risk register of the KZN DOE.

3.11.2 The KZN DOE will also ensure that all fraud risk action plans are implemented to further reduce the possibility of fraud activity.

3.12 Fraud Detection and Response

3.12.1 The KZN DOE recognises that in order to effectively prevent fraud, all fraudulent activities detected by employees and other stakeholders should be reported and investigated. In this regard, the KZN DOE will establish and maintain a **Fraud Hotline** which is intended to achieve the following:

- (a) To deter potential fraudsters by making all employees and other stakeholders aware that the KZN DOE is not a soft target, as well as encouraging their participation in supporting, and making use of this facility;
- (b) To raise the level of awareness that KZN DOE is serious about fraud;

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- (c) To detect incidents of fraud by encouraging whistle blowers to report incidents which they witness;
- (d) To assist the KZN DOE in managing the requirements of the PDAA by creating a channel through which whistle blowers can report irregularities which they witness or which come to their attention; and
- (e) To further assist the KZN DOE in identifying areas of risk of fraud in order that preventive and detective controls can be appropriately improved or developed.

3.12.2 The KZN DOE supports the establishment of a Fraud Hotline and encourages its employees to utilize this service to supply information relating to fraudulent activity.

3.12.3 All instances of fraudulent activity must be reported to the Director: Internal Control and Risk Management unit or the Head of Department within the KZN DOE.

3.12.4 Hence, the KZN DOE will ensure that the responsibility of responding to and investigating information secured through the Fraud Hotline and through any other medium, is clearly negotiated with Risk Management and that proper records are kept of all allegations relating to fraud.

3.13 The Fraud Policy and Response Plan

3.13.1 A Fraud Policy and Response Plan has been developed, which contains provisions for the reporting of allegations of fraud which include the following:

- Making a report to the employee's immediate manager;
- Where the person reporting the information wishes to make a report anonymously, such a report may be made to any member of management and/or the Head of the Department, the Fraud Hotline or to the IAU/ Internal Control and Risk Management unit of the KZN DOE; and
- The manager who receives such a report must forward it to the Head of the IAU, who will initiate an investigation in consultation with appropriate stakeholders within the KZN DOE.

3.13.2 Furthermore, the Fraud Policy includes the following issues:

- The policy stance of the KZN DOE to fraud, i.e. Zero Tolerance to fraud;
- Some manifestations of fraud in KZN DOE's context;
- The available channels to report, investigate and resolve incidents of fraud which impact on the KZN DOE;
- Provisions relating to the protection of whistle blowers;
- The handling of confidentiality relating to allegations and investigations of fraud;
- Publication of sanctions imposed on persons found guilty of fraud; and
- Responsibility for the administration of the Policy.

3.13.3 The Fraud Policy will be workshopped to all employees within KZN DOE. Appropriate presentations on the implications of the PDAA will also be included in strategies to create awareness of the Fraud Policy.

3.13.4 It must be noted that in terms of the Fraud Policy, all employees are obliged to report

any irregularity they notice or become aware of. Failure to do so could result in appropriate action being taken against such person(s).

3.13.5 In order to facilitate the identification of additional risks and the consequent development of appropriate strategies to address these, the KZN DOE will continue to ensure that the system it has established with the Risk Management Services or IAU is used to keep records of all allegations brought to its attention. This will be crucial in effectively addressing the risk of whistle blowers being victimised, by managers and fellow employees, in contravention of the Protected Disclosures Act.

3.14 The investigation methodology

3.14.1 When suspected or alleged incidents of fraud have been reported through proper channels as established by the KZN DOE, the following investigative steps will be applied to test the veracity of the allegations.

3.14.2 Determine whether the incident meet the below requirements for an allegation:

- a) Does the incident relate to a rule?
- b) Is the rule to which the incident relate, lawful?
- c) Does the incident relate to the defined fraud indicators?
- d) Is the available information sufficient to identify elements of the rule allegedly broken?

3.14.3 Should the response to the mile stones questions (a) to (c) be negative (i.e. a “No” response), the matter will not be investigated further. In this case a close out report will be compiled outlining the outcomes of the assessment conducted and what tests were performed resulting in negative responses. The close out report should be filed as part of the case management system of the Department.

3.14.4 Should positive response to the mile stones questions (a) to (c) be positive (i.e. a “Yes” response), a preliminary investigation should be instituted with the primary objectives to determine:

- a) Whether the allegations can be substantiated
- b) Specific prescripts which may have been breached
- c) Implicated persons can be identified

3.14.5 Should the preliminary investigation conclude that the allegation cannot be substantiated, a close out report should be compiled and file as part of the case management system of the Department.

3.14.6 Should the preliminary investigations conclude that the allegations have substance, a full scale investigation should be instituted.

3.15 The Whistle Blowing Policy

3.15.1 In order to further limit the risk of employees being victimised for whistle blowing in contravention of the Protected Disclosures Act, the KZN DOE has developed a Whistle Blowing Policy.

3.15.2 The Whistle Blowing Policy is based on the PDAA, which guarantees protection to

employees against victimisation following disclosure of fraudulent activity by employees, and is intended to encourage and enable employees to raise serious concerns without fear of victimisation.

- 3.15.3 The Whistle Blowing Policy, will also be workshopped to all employees within the KZN DOE.

C FURTHER IMPLEMENTATION AND MAINTENANCE

3.16 Creating awareness

- 3.16.1 This component of the Plan comprises two approaches, namely **education and communication**. The strategic weaknesses identified in this area are the following:

- Lack of a formalised strategy to create awareness amongst employees of the manifestations of fraud and the risks of fraud facing the KZN DOE; and
- Lack of knowledge of approaches to prevent and detect fraud in specific processes and transactions.

- 3.16.2 In this regard, the KZN DOE will develop an **annual awareness programme** which will guide and integrate awareness initiatives. The implementation of the awareness plan will be incorporated in the performance management system of the Risk Manager/Ethics Officer for accountability.

Education

- 3.16.3 The KZN DOE will ensure that regular presentations and formal trainings are carried out for employees as part of the **awareness plan** to enhance their understanding of the manifestations of fraud, prevention and detection techniques and the components of the Plan, in general. These presentations and training will include ongoing formal lectures to managers in all functional disciplines.

Communication

- 3.16.4 Communication is crucial in creating awareness of the Plan amongst employees and other stakeholders. As part of the **awareness plan**, **communication** is intended to facilitate a culture where all stakeholders strive to make the Plan a success and to sustain a positive and ethical behaviour within the KZN DOE. This will increase the prospect of fraud being reported and improve KZN DOE's prevention and detection ability.

- 3.16.5 The KZN DOE will consider various means of communicating its fraud prevention initiatives, including the following:

- (a) Conducting workshops and creating awareness of the Plan;
- (b) Developing a poster campaign aimed at all stakeholders to advertise the stance of KZN DOE to fraud and its expectations with regard to the ethics and integrity of all stakeholders;
- (c) Circulating/sharing appropriate sections of the Code to other stakeholders, e.g. consultants and contractors;

- (d) Capturing a position statement of the KZN DOE in relation to fraud in all departmental correspondence and publications;
- (e) Publicising "lessons learned" out of investigations into allegations of fraud amongst employees;
- (f) Circulating successes related to the Plan and fraud modus operandi;
- (g) Printing the stance of KZN DOE to fraud on pay slips;
- (h) Including an anti-fraud statement in all bid documents as part of the conditions of the tender;
- (i) Placing notices or other communiqués related to the Plan in toilets and other areas to which employees and the public have access;
- (j) Placing communiqués in government vehicles, e.g. relating to the abuse of vehicles;
- (k) Developing a fraud prevention suggestion box where all employees could make suggestions on how to prevent fraud and corruption and further improve the Plan;
- (l) Using the newsletter to communicate issues relating to the prevention; and
- (m) Detection of fraud, including matters reported and action taken.

3.17 Ongoing maintenance and review

- 3.17.1 In order to ensure that the process of ongoing development and implementation of the Plan is consultative and viewed as such by all stakeholders within the KZN DOE, the Risk Management Committee, which will include management of the KZN DOE will be entrusted with the responsibility of reviewing and updating the plan to ensure that it remains relevant and effective. The Committee, will be responsible for;
- a) Evaluating reports of fraud and highlight areas of risk within the KZN DOE
 - b) Considering fraud threats to KZN DOE and addressing these through the risk management function of the KZN DOE
 - c) Monitoring actions taken to implement recommendations relating to incidents of fraud;
 - d) Steering and taking responsibility for the Plan;
 - e) Reviewing and making appropriate amendments to the Plan; and
 - f) Ensuring that ongoing implementation strategies are developed and carried out.
- 3.17.2 The Plan will be reviewed on an annual basis, whilst progress on the implementation of the various components will be reviewed on a quarterly basis. With regard to the latter, specific priorities stemming from the Plan, actions to be taken, responsible persons and feedback dates relating to progress made will also be set.

SECTION IV: Implementation Strategy

Three Year Fraud Prevention Implementation Plan

Ref	Action Plan	Action Owner	Action Date	Expected Outputs / Outcomes	2021/22 Review	2022/23 Review	2023/24 Review	Comments
	Annual Review of fraud prevention plan and other related policies	Internal Control & Risk Management	Annually	To ensure that policies are updated with the new changes				
	Workshop of the approved policy	Internal Control & Risk Management	30/06/2021	Be aware of fraud prevention plan and consequences of Fraud				
	Upload of the Fraud Prevention policies to the Intranet	Communications	31/03/2021	Policies to be easily accessible to all employees, stakeholders and service providers				
	Placing notices or other communications related to the Plan in all strategic points to which employees and the public have access;-	Internal Control & Risk Management	31/03/2021	Be aware of fraud prevention plan and consequences of Fraud				
	Create a dedicated email from the HOD's office for reporting of fraud	HOD	31/03/2021	Reporting of fraud by employees, stakeholders and service providers				
	Maintenance of the register of reported fraud and corruption	Internal Control & Risk Management	31/12/2020	To keep track of all reported cases				
	Monitoring of reported cases	Internal Control & Risk	Ongoing	To keep track of all reported cases and				

FRAUD PREVENTION PLAN

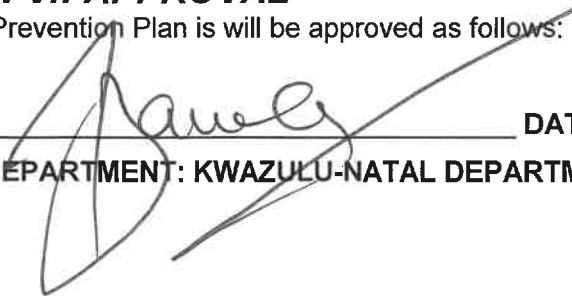
Ref .	Action Plan	Action Owner	Action Date	Expected Outputs / Outcomes	2021/22 Review	2022/23 Review	2023/24 Review	Comments
		Management		ensure that all cases are investigated				
	Review and update of the fraud Risk Register	Internal Control & Risk Management	Quarterly	To ensure that all risks are mitigated				
	Including an anti-fraud statement in all bid documents	SCM	31/03/2021	Services providers to be aware of fraud consequences.				

SECTION V: COMPLIANCE WITH THE PLAN

Any employee who fails to comply with the requirements of provisions of this Plan is subject to appropriate disciplinary action.

SECTION VI: APPROVAL

This Fraud Prevention Plan is will be approved as follows:

 DATE: 27/11/2020
HEAD OF DEPARTMENT: KWAZULU-NATAL DEPARTMENT OF EDUCATION